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SECDEF FOR FATA AND BEIN, DEPT FOR EUR (DICARLO), D
(SMITH), P, EUR/SCE (HOH, FOOKS, FAGAN), PM AND EUR/RPM
(BROTZEN), NSC FOR BRAUN

E.O. 12958: DECL: 08/09/2017

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SUBJECT: BOSNIA: GEORGIAN ARMS DEAL REVIVED?

Classified By: DCM Judith Cefkin for reasons 1.4 (b) and (d)

Summary

¶1. (S) In recent weeks, several high-ranking government officials have raised the possibility of reviving a Bosnia-Georgia arms deal that was scuttled in 2006 over strenuous Russian objections. President Komsic and his senior advisors seem to be the main proponents of reviving the sale, which involves the shipment of Multiple Launch Rocket System (MLRS) components and ammunition from Bosnia to Georgia. A senior MFA official also told the DCM that he suspects corruption within related ministries is contributing to renewed interest in the sale, and, as a result, export controls on defense articles are being circumvented. Post has reiterated that the USG takes no position on the sale provided that it is consistent with Bosnian law and export controls and international arms control agreements. End Smmary.

ROCKETS TO GEORGIA

¶2. (S) The original transfer agreement included the purchase of several new MLRS command and logistic vehicles, the refurbishment of several vehicles already in Georgian stockpiles, and the purchase of ammunition. The proposal was blocked on foreign policy grounds by the Ministry of Foreign Affairs in late 2006 after Russia protested the sale. In June of this year, the Georgian government and the Melvale Corporation, a Seychelles registered brokering company, resubmitted an export license application and end-user certificate to the Bosnian Ministry of Foreign Trade. The request has been forwarded to the Ministries of Foreign Affairs, Defense, and Security for comment.

HIGH-LEVEL FOCUS

¶3. (S) In recent weeks, President Komsic has inquired about the USG position on the sale. Komsic's chief of staff, Amir Ibrovic, has repeatedly raised the proposal and asked our position. Ibrovic has urged the U.S. not to oppose the transfer asserting that the \$20 million deal would allow the

Bosnian production firm (Novi Travnik) to invest in military research and development and that if the deal is blocked Georgia will purchase the same items from competitors in Serbia.

¶4. (S) Assistant Minister for Trade Dragisa Mekic, responsible for export licenses for defense items, told us that he was "surprised" that the sale had re-surfaced, as he had thought that MFA's decision to block its realization last year would have been final. Mekic confirmed that the Ministry of Foreign Trade had been heavily lobbied by the office of one member of the Presidency to move the process forward as quickly as possible. (Comment. Mekic is almost certainly referring to Komsic's staff. End Comment.) Mekic also provided us with all copies of the export license application, the Georgian end-user certificate, and the registration documents for the Melvale Corporation.

Separately, Assistant Foreign Minister Nedzad Hadzimusic requested a meeting with the DCM, at the Embassy, to discuss the pending sale. Hadzimusic claimed that "corrupt interests" within the Ministry of Foreign Affairs, particularly the Ministry Secretary (the number three official), stood to gain from the transfer and were working to get the sale approved. Hadzimusic asserted that that the Georgia matter was just one part of the activities of these corrupt officials, and the deal had the potential to create a huge scandal for Foreign Minister Alkalaj and possibly the Ministries of Defense and Foreign Affairs.

COMMENT

¶5. (S) The resurrection of this deal is surprising. Although we have no way to evaluate Hadzimusic's assertions about corruption driving the sale, it is not implausible that its revival may be due to personal, rather than policy interests on the part of Bosnian officials. As usual, the competing interests are each are looking to the United States to lend legitimacy to their individual positions on the sale. It remains unclear why Komsic is so focused on this deal considering it is unlikely that his Bosnian-Serb Presidency counterpart Nebojsa Radmanovic would seek to block the sale. When queried on the sale, we have consistently maintained that the USG takes no position, in support of, or opposition to the sale provided it is consistent with Bosnian law international arms control agreements. End Comment.

MCELHANEY